PROVINCE OF ALBERTA

OFFICE OF THE

ETHICS COMMISSIONER

ANNUAL REPORT 2002-2003

ABOUT THE OFFICE OF THE ETHICS COMMISSIONER

The Office of the Ethics Commissioner exists as a result of and operates under the *Conflicts of Interest Act* (Chapter C-23 of the Revised Statutes of Alberta 2000).

The Ethics Commissioner is an Officer of the Legislative Assembly. The Ethics Commissioner is appointed by Order-in-Council following passage of a motion in the Legislative Assembly approving the appointment. The motion follows a report and recommendation from the all-party Standing Committee on Legislative Offices.

The Ethics Commissioner reports to the Legislative Assembly through the Speaker with respect to annual reports, investigation reports, and matters relating to the Ethics Commissioner's jurisdiction or authority under the *Conflicts of Interest Act*, with the exception of administrative matters. The Ethics Commissioner presents budgetary estimates through the Standing Committee. The Legislative Assembly approves the budget for the Office of the Ethics Commissioner.

Upon receiving a report from the Ethics Commissioner, the Speaker is required to make the report public. If the Legislature is in session, the report is tabled at that time in the Legislature. If the Legislature is not in session, the report is released publicly and tabled when the Legislature next sits. (Reference: section 28 of the *Conflicts of Interest Act*.)

Under the *Conflicts of Interest Act*, the Legislative Assembly shall deal with an investigation report by the Ethics Commissioner within 60 days after the tabling of the report, or such other period determined by a resolution of the Legislative Assembly.

Under section 29 of the *Conflicts of Interest Act*, the Legislative Assembly may accept or reject the findings of the Ethics Commissioner or substitute its own findings and may if it determines that there is a breach

(a) impose the sanction recommended by the Ethics Commissioner or any other sanction referred to in section 27(2) it considers appropriate, or

(b) impose no sanction.

The Ethics Commissioner reports and recommends to the Assembly. The Legislative Assembly has full and final authority with respect to disciplinary matters relating to its Members.

Further information on the functions and responsibilities of the Office of the Ethics Commissioner may be obtained by contacting the office:

Office of the Ethics Commissioner
1250, 9925 - 109 Street, Edmonton, Alberta T5K 2J8
Phone: (780) 422-2273 Fax: (780) 422-2261
E-mail: generalinfo@ethicscommissioner.ab.ca
Website: www.ethicscommissioner.ab.ca

OFFICE OF THE ETHICS COMMISSIONER

Robert C. Clark, Commissioner

March 31, 2003

Hon. Kenneth R. Kowalski
Speaker of the Legislative Assembly
325 Legislature Building
Edmonton, Alberta
T5K 2B6

Dear Mr. Speaker:

It is my honour and pleasure to submit to you the Annual Report of the Office of the Ethics Commissioner, covering the period from April 1, 2002 to March 31, 2003.

This report is submitted pursuant to section 46(1) of the *Conflicts of Interest Act*, Chapter C-23 of the 2000 Revised Statutes of Alberta.

Yours very truly,

Robert C. Clark
Ethics Commissioner

1250, 9925 - 109 Street, EDMONTON, ALBERTA T5K 2J8 • Telephone: (780) 422-2273 • Fax: (780) 422-2261

ETHICS COMMISSIONER'S REMARKS

This is my final annual report as Alberta's Ethics Commissioner. I announced last October that I would be stepping down as Ethics Commissioner effective March 31, 2003. I gave lengthy notice to the Legislative Assembly to ensure that a search committee could be struck and arrangements made to find a replacement by April 1.

I wish to thank the Standing Committee on Legislative Offices and the entire Legislative Assembly for their support over the years. The cooperation and response to any and all requests from my office – whether for budgetary matters or amendments or meetings to discuss issues – have always been timely and congenial.

It has been my great pleasure to serve the people of Alberta in the capacity of Ethics Commissioner. Being the first Ethics Commissioner for Alberta has been exciting and challenging. Every process and every document had to be created – and amended along the way. It has been a terrific learning experience and I hope I have contributed to an increased awareness and sensitivity to the need for ethics in decision making by our provincial politicians and, to a lesser degree, in the broader public service in Alberta.

Yet another public opinion poll has been released over the past year that shows a low rating for politicians. This result is always a puzzle to me. Although it is not uncommon, sadly, to hear citizens claim "politicians are corrupt," it is also my experience in talking with individual Albertans that they generally think highly of their own Member of the Legislative Assembly. Perhaps a personal interaction makes the difference or maybe it reflects on a lack of knowledge of what it is that MLAs actually do and how hard they work to accomplish it.

While there may be, from time to time, personal failings by individual Members, it is simply wrong to suggest that, collectively, politicians are not interested in or have failed to act in the best interests of the public. Over the past 11 years, the many MLAs I met with have proven to be hardworking, dedicated individuals who have done much to add to the quality of life in Alberta for all of its citizens.

I do believe that in all areas of our society, ethical leadership is needed. The recent private sector scandals demonstrate the need for strong corporate governance structures, including accountability and transparency. Those structures are even more necessary in the public sector.

At the provincial level, many mechanisms exist for ensuring accountability and transparency, including freedom of information legislation, the Auditor General's functions, the Ombudsman, and my own office. At the Legislature, there is Question Period and all-party committees such as Public Accounts.

Notwithstanding these many strong mechanisms, Members must also demonstrate their commitment to ethical leadership in their day-to-day activities and in their decision-making. I believe Alberta's politicians do act responsibly, but there are always steps that can be taken to improve perceptions or to demonstrate sensitivity to the perceptions.

One such mechanism -- as I have stated in past annual reports – would be the creation of a lobbyist registration system. Increased disclosure may bring greater allegations of linkages between certain interests and specific decisions. However, if sufficient light is given to decision-making processes (as occurs through access to information and other transparency or accountability tools), the public should be able to determine for itself that the right decisions have been made.

There will always be some decisions that are "political." It is the nature of our system of government. Voters have the power to change a government that they believe does not act in the best interests of Albertans.

It is for this reason that I have tended to avoid a consideration of "political interests" in investigations. There may be circumstances in which pursuit of purely "political" interests may be a breach of the *Conflicts of Interest Act*; however, in the cases to date, a suggestion that an action was undertaken merely to get a Member re-elected has not been sufficient. Many "normal constituency activities" could be viewed in that light. Nevertheless, it is an area where Members could demonstrate greater leadership by more fully explaining the rationale for decisions they make or activities they pursue.

This fiscal year has been relatively quiet in our office. It is the first full year of operation as a separate entity once again. Our service arrangement with the Office of the Information and Privacy Commissioner has worked extremely well. The staff in that office are available when needed and the services they provide (financial, human resource, legal and technical) are first-rate.

On occasion during this year, I have relied upon my external counsel, David P. Jones, Q.C., and I am grateful for his advice and friendship.

I would be remiss as well if I did not thank my Legislature Officer colleagues and my Canadian Conflict of Interest Network colleagues. The confidentiality inherent in our work often makes our positions lonely ones. The ability to share situations, in a general sense, with others who may be experiencing similar issues or concerns means a great deal to me. I am also grateful to my colleagues in the Council on Governmental Ethics Laws (COGEL) for their counsel and friendship.

The quality of the persons filling these positions -- in Alberta and across the country -- is inspiring. Their advice and guidance, generally expressed as good common sense, has been invaluable to me. I treasure the camaraderie that has existed in our associations. Thank you to all my good friends!

And last -- but not least – Karen South. Karen has played a crucial role in the success, and maintenance, of high standards of this office. Her dry wit and questioning mind have resulted in a higher quality of advice given to Members and Senior Officials. Karen is regarded as one of the most knowledgeable and practical legislature ethics practitioners across Canada. Karen, thank-you.

I leave with mixed feelings. I enjoy my sessions with the MLAs and the Senior Officials of Alberta. Each and every one of them has shared something of themselves with my office. The very nature of the disclosure process encourages them to talk about their families, their careers and their long-range plans. I do not believe there is another office anywhere in Alberta where one person is so privileged to learn so much about government and the truly fine people involved in public service. Thank you from one Albertan who recognizes the good work you do and the exceptional way you do it!

In the past few years, my annual reports have been released in late summer or early fall. The timing was changed to allow for the inclusion of the audited financial statements as approved by the Auditor General. In light of my departure at the end of this fiscal year, it is my decision to release the report on the operations of the office – excluding the financial operations – closer to fiscal year end.

I wish Alberta's next Ethics Commissioner all the very best. I enjoyed the challenges but mostly I enjoyed the people. Thank you, once again, for having given me the opportunity to serve.

DISCLOSURE STATEMENTS

In July 2002, the Office of the Ethics Commissioner finally had its own Website (www.ethicscommissioner.ab.ca). Blank copies of all disclosure forms were placed on the Website. Hard copies were still sent to all Members. The new Commissioner may wish to discuss with Members their interest in or support for receiving only electronic copies.

No discussions were held with Members with respect to putting the public disclosure statements online. Those documents are still only available to the public from the Office of the Clerk of the Legislative Assembly.

All Members filed their disclosure statements within the set time frame and all the Senior Officials filed within approved time lines.

No significant changes were made to the forms during 2002-03.

INVESTIGATIONS

Two investigations were conducted during 2002-03.

Allegations involving Hon. Mike Cardinal

The Leader of the New Democrat Opposition requested that I investigate the participation of the Hon. Mike Cardinal, Minister of Sustainable Resource Development, in a decision to open a portion of Calling Lake to walleye fishing. Mr. Cardinal maintains a residence at Calling Lake.

The focus of the investigation was on section 2 of the *Conflicts of Interest Act* that deals with Members taking part in a decision where they have a private interest.

The first subsection of section 2 refers to taking part in a decision where the Member knows that a private interest might be furthered. In this case, the Minister said that his private interest (his private property on the lake) would not be furthered by the decision.

Local residents and other persons interviewed during the investigation (e.g. departmental fisheries staff and fisheries associations) agreed that opening the lake to allow an angler to catch one fish would not in all likelihood increase the value of property at the lake. The area was also affected by vandalism and theft, which residents indicated had a greater effect on property values than fishing would have.

Subsection 2 of section 2, however, does not refer to a private interest being furthered. It states that where a Member has "reasonable grounds to believe" that the Member has a private interest, the Member cannot participate in a meeting before Executive Council or the Legislative Assembly or any committees of Executive Council or the Assembly.

The Minister did participate in meetings before Executive Council or a committee of Executive Council. The Member was, therefore, found to be in breach of section 2(2) of the Act.

No sanctions were recommended in this case.

Allegations involving Albert Klapstein

In this case, the Member himself sought an investigation.

The Minister of Agriculture, Food and Rural Development appointed the Member as an ex-officio member of the Board of Horse Racing Alberta. That entity is listed in the Schedule to the *Conflicts of Interest Act* and appointment as a member to an entity on that list is a disqualifying office under section 6 of the Act.

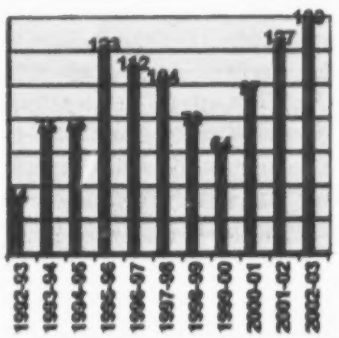
The Member confirmed that he had attended Board meetings. He had not received any compensation for that Board work.

I was satisfied that the appointment was made in good faith and was an inadvertent breach. No sanctions were recommended.

CASE COMMENTARIES

Figure 1 shows the number of requests received each year since the office open in 1992 and figure 2 shows the source of the requests for 2002-03.

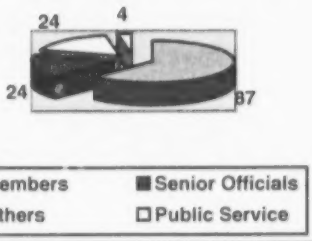
Figure 1: Requests for Advice



The category "public service" has been added this year to reflect requests for advice received from public servants who do not fall within the "senior official" designation. Those public servants are referred to the Personnel Administration Office for advice on the potential application of the *Code of Conduct and Ethics for the Public Service of Alberta.*

The category "other" is higher this year as it includes requests we received to review potential appointees to certain boards or committees. My advice in this area was either provided directly to a Minister or to a Deputy Minister. We were also asked to review draft codes or bylaws for various entities and, in some instances, to comment on a specific situation facing the entity.

Figure 2: Source of Requests



Private Interests

Members continue to seek advice on their ability to participate in issues where the Member believes a private interest exists.

There must be a balance between "general application" and a "private interest." "General application" is not simply a question of numbers.

More often than not, a proposed initiative will focus on a narrower group within a profession or industry. For example, legislation dealing with the teaching profession might be a matter of "general application" but legislation that dealt only with science teachers might be sufficiently narrow to prevent the participation by an MLA who is on leave of absence as a science teacher.

Even in this scenario, the nature of the initiative could be such that there is no "private interest" and the Member concerned could receive advice that participation would not be a breach of the Act. Members are encouraged to provide as much detail regarding the initiative as possible and the Member's own interests so that the best advice can be given.

Constituency Work

In connection with a discussion this Fall regarding Members and commercial endorsements, we discussed certain activities in support of a constituency that might be viewed as

an "endorsement" by the Member. For example, it was generally agreed that participating in a food drive sponsored by a local grocery chain would not be an endorsement of the grocery store.

The general advice given to all Members after this discussion will be dealt with in the section relating to members of Executive Council.

Members also raised questions regarding letters of reference. Cautions are always expressed where the reference involves a matter before a provincial agency or the courts. Similarly, there may be concerns if the Legislature could be involved in a decision (such as my appointment, for example).

Members are asked to consider whether the requestor of the reference is qualified for the position or contract sought; whether the Member would be comfortable with the public disclosure of the letter of reference; and to ensure that appropriate stationery is used for the reference (i.e. personal letterhead if the relationship is personal).

Several Members also raised questions regarding attendance at a hearing of a quasi-judicial body. They asked whether they could attend with a constituent, whether or not the Member participated in the proceeding, or if a staff person from the Member's constituency office could attend.

This matter raises issues surrounding the separation of the legislative and judicial functions and whether Members have any legal standing to appear at a hearing. Additionally, the issue of at least the appearance of an attempt to influence the outcome of the hearing has been raised.

Under Alberta's legislation, a Member cannot attempt to influence a decision of the Crown to further the Member's private interests or the private interests of the Member's direct associates or minor children. Some other jurisdictions state this obligation more broadly and refer to the private interests "of any other person." In Alberta, assisting a constituent at a hearing would likely not be the furtherance of a private interest of the Member.

This matter was still under review at the end of 2002/03.

Members of Executive Council

As mentioned above, a meeting was held in September to discuss the issue of Members, and particularly Ministers, being involved in commercial advertising.

Following that discussion, I provided all Members with general advice on this issue. I suggested Members ask themselves the following questions in considering whether to participate in a commercial endorsement:

- Will the appearance give the perception that the Member is endorsing a business or entity; or that the endorsement provides, in effect, a marketing subsidy or an unfair competitive advantage to any person, organization or entity outside of government?

- Would the communication be viewed as fair and equitable to all parties similarly involved in a program or partnership arrangement? Are the contributions of all participants in a program or initiative fairly acknowledged and attributed?

I also encouraged the government to create a cross-government policy on this matter.

Blind Trusts

As far as I am aware, the blind trust agreements used by Alberta's MLAs have been working satisfactorily.

Members must be confident that their trustee is properly handling the Members' financial affairs.

This requires some disclosure to the Member. However, if there is too much disclosure, the trust arrangement cannot be said to be blind. I believe it is not unreasonable to allow a Member to know the "bottom line" on a monthly or quarterly basis. Members do not need to know the exact holdings at that time.

Under the Act in Alberta, only publicly-traded securities may be placed in a blind trust. We do not have "management trusts" as used in some other jurisdictions for the management of a Member's private corporation.

Post Employment

During the year, I did discuss post-employment questions with Senior Officials. There are no restrictions on departing Senior Officials.

It is encouraging to me that this issue continues to be raised by Senior Officials. They have demonstrated a desire to do the right thing and often take steps to reduce potential conflicts both before and after leaving the public service.

Outside Employment

Requests for advice regarding outside employment tend to fall within two categories: the ability to sit on a board, and activities that might involve interaction with the government.

Members are sometimes sought by non-profit groups to serve as an honourary Chair of a governing Board. Often the charity involved has some personal relevance for a Member and I have never questioned a Member's desire to be involved in worthy causes. My concerns have generally centred on fundraising. More specifically, I have concerns when the fundraising involves requests to the provincial government. It would be difficult for a ministry to separate the MLA office from the Honourary Chair role when financial support is sought.

Members have also sought approval to sit on the Boards of private sector corporations. When a Member becomes a director or officer of a corporation, that corporation becomes a direct associate and the Member must be aware of the obligations under the Act to avoid conflicts involving direct associates.

Some Members continue to maintain a professional practice while serving in the Assembly. As noted in past annual reports, the Act does not prohibit that activity (other than for Cabinet Ministers). Where the Member's professional activities involve a government Board or agency, the Member is usually advised that they cannot undertake representations before that Board or agency.

Contracts with the Crown

From time to time, Members have matters that require some interaction with the provincial government. The most obvious example would be Members who have farming interests and programs that are created to assist farmers. Those examples are not generally difficult to deal with since a Member does not have a private interest if a matter has general application. There may be a concern if a program is offered through the Agriculture Financial Services Corporation since certain contracts with that agency are prohibited under the Act.

Personal situations are more often raised with me. Examples would include expropriation matters, permits or applications, or disputes or negotiations relating to a program or contract that existed prior to the Member becoming a Member.

In this reporting year, Members sought advice with respect to their ability to meet with government officials to discuss a matter affecting themselves or their families. I am sensitive to the need for Members not to be disadvantaged in being able to deal with a government department, but I am equally sensitive to a perceived misuse

of public office to gain an advantage. In most cases involving negotiations, Members have sought the assistance of an agent or another Member to act on behalf of the Member involved in the negotiations.

Direct Associates

Members sought my advice during 2002-03 with respect to employment opportunities for their spouses. Spouses are independent of Members and have the right to apply for employment with the public service or to serve on Boards or other entities that are somehow related to the government or that receive funding from government.

The obligations to avoid conflicts of interest rest on the Members. If a spouse is successful in seeking certain employment, that employment may result in a Member being required to withdraw from discussions in caucus or the Legislative Assembly. The Member may also be restricted in handling certain constituency matters. Those obligations must be understood by both the Member and the Member's spouse. In most instances during this reporting year, the spouse has decided not to pursue the employment opportunity.

In 2002, the Legislative Assembly passed legislation that will affect the definition of a "direct associate" after the next general election. As with all Alberta legislation that refers to "spouses," the *Conflicts of Interest Act* will apply to persons involved in "adult interdependent relationships."

Fees, Gifts and Benefits

A certain amount of media attention was created when Members of the Legislative Assembly were provided with tickets to the 2002 Grey Cup in Edmonton.

Since I said in my last annual report that Members should not accept tickets to events like hockey games, there was some confusion as to why I said tickets to the Grey Cup were acceptable.

Members cannot accept gifts or benefits that are connected directly or indirectly with the performance of their public responsibilities. They can, however, accept gifts or benefits that relate to a social obligation or incident of protocol. Gifts over $200 in any calendar year must be disclosed and my office must give approval for the Member to accept the gift or benefit.

In my view, the holding of a major event – such as the Grey Cup – is deserving of support by elected officials. I have no difficulty stating that attendance at such events is a social obligation.

It is more difficult to accept that there is a social obligation for an MLA to attend a National Hockey League game, particularly when the ticket holder is an entity that has a variety of issues before the Legislature or government. My concern relates to the relationship at the time the ticket is offered between the person offering the ticket and the government or Legislature, or the nature of issues that might involve that industry and the Member being offered the gift.

Hockey games were not meant to be singled out. Members are invited to attend many functions during the year. In some cases, a Member or Minister may be representing the city's MLAs or the government or the Opposition caucus at the event. In deciding whether or not to give approval to the Member to accept the offer of tickets, Members need to provide this office with an explanation of what issues are before them at that time and why they have been chosen to attend. Gifts under $200 are not required to be reported.

Senior Officials

No specific issues arose with respect to Senior Officials during the past year (other than the

previously noted questions regarding post-employment).

I was asked to comment on matters involving the *Code of Conduct and Ethics for the Public Service of Alberta*. Additionally, I did review at least one internal conduct code.

PROFESSIONAL ASSOCIATIONS

Karen South and I attended the annual meeting of the Canadian Conflict of Interest Network in Regina in September. The association welcomed David Jones, Q.C., as the new Conflict of Interest Commissioner for Yukon. The 2003 Conference will be held in September in Yellowknife.

Also in September 2002, we attended the conference of the Council on Governmental Ethics Laws (COGEL) in Ottawa. Several ethics sessions focused on international assistance and Canada was complimented on its active role in projects relating to ethics training and elections oversight.

I mentioned in last year's annual report that this office is involved in a project under the sponsorship of the Canadian International Development Agency (CIDA) for the promotion of ethics in Tanzania. We are acting as a sub-contractor to the University of Calgary's International Centre, together with IRIS Environmental Systems Ltd., on this project.

To date, our support has only taken the form of providing information. The project team, led by Elaine Ward, has travelled to Tanzania and commenced a variety of initiatives, including the ethics training modules. We anticipate that Tanzanian Fellows will visit Alberta in the coming fiscal year and we remain committed to this project.

We were also pleased to meet with a Legislature official from Australia this summer to discuss conflict of interest issues for elected officials.

Karen South continued with her activities relating to the Ethics Practitioners' Association of Canada. During this reporting year, lunch roundtables were held on April 25 and May 23. A full-day "Ethics in Action" event was held at Grant MacEwan University College on November 18.

PUBLIC INFORMATION

Speaking Engagements

During 2002-03, the following speaking engagements were undertaken:

West Glenn School, Didsbury
"Leadership Days" – federal government session
University of Alberta, Business Faculty
Society of Fellows, Southern Chapter
NAIT, Journalism Class
Mount Royal College
College of Professional Foresters and Forest Technologists
Concordia College
NAIT, Engineering Class
ATCO Annual Conference

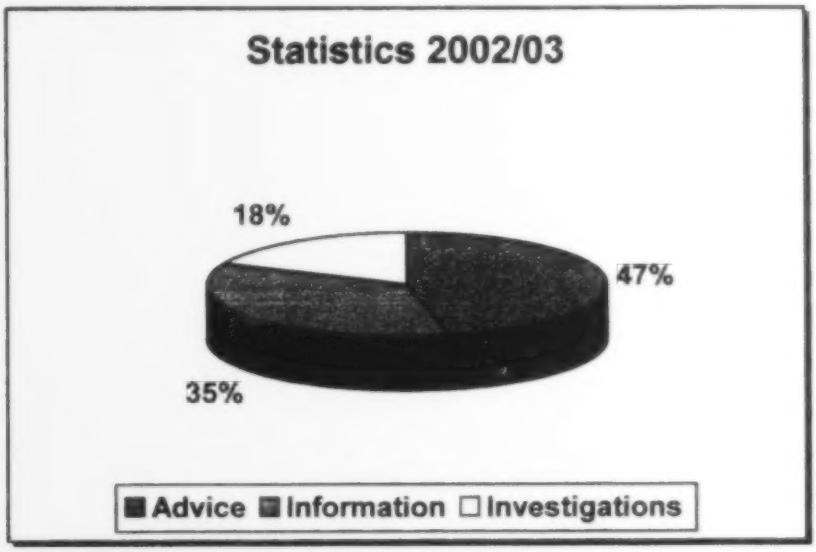
In addition to these presentations, I was invited (as were other Canadian colleagues) to appear before the Standing Committee on Procedures and House Affairs of the House of Commons and the Senate's Rules committee. I attended to provide information on Alberta's conflict of interest legislation and processes.

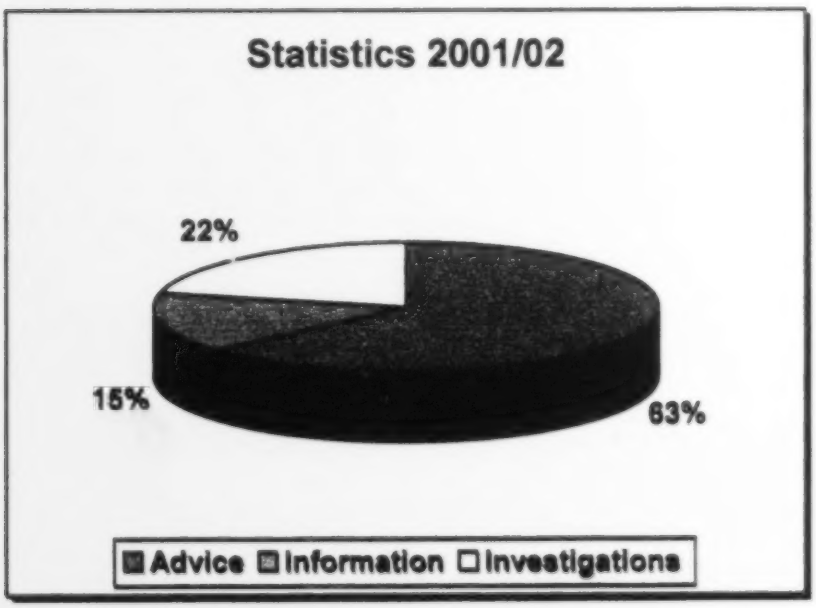
Publications

In last year's annual report I advised that a new brochure would be published. I decided not to proceed with that publication in light of my resignation as Commissioner.

COMPARATIVE STATISTICS

The pie charts below show the percentage of requests received by our office that dealt with information, investigations, or provision of advice.





Office of the Ethics Commissioner

Financial Statements

As at March 31, 2003

OFFICE OF THE ETHICS COMMISSIONER

FINANCIAL STATEMENTS

AS AT MARCH 31, 2003

Auditor's Report

Statement of Financial Position

Statement of Changes in Net Liabilities

Statement of Operations

Statement of Changes in Financial Position

Notes to the Financial Statements

Schedule 1 – Salary and Benefits Disclosure

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Chairman, Select Standing Committee on Legislative Offices

I have audited the statement of financial position of the Office of the Ethics Commissioner as at March 31, 2003 and the statements of changes in net liabilities, operations, and changes in financial position for the year then ended. These financial statements are the responsibility of the Office's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

FCA
Auditor General

Edmonton, Alberta
June 27, 2003

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2003

	2003	2002
ASSETS		
Current assets		
Prepaid expenses	$ 617	$ 1,017
Capital assets (Note 4)	25,325	32,414
	$ 25,942	$ 33,431
LIABILITIES AND NET LIABILITIES		
Current liabilities		
Accounts payable	$ 16,615	$ 11,982
Accrued vacation pay	15,620	28,323
Total current liabilities	32,235	40,305
Net liabilities	(6,293)	(6,874)
	$ 25,942	$ 33,431

The accompanying notes and schedule are part of these financial statements.

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF CHANGES IN NET LIABILITIES

FOR THE YEAR ENDED MARCH 31, 2003

	2003	2002
Net liabilities at beginning of year	$ (6,874)	$ (22,365)
Net operating results	(347,165)	(284,359)
Net transfer from general revenues	347,746	299,850
Net liabilities at end of year	$ (6,293)	$ (6,874)

The accompanying notes and schedule are part of these financial statements.

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2003

	2003		2002
	Budget	Actual	Actual
Revenues			
Contribution from Infrastructure for accommodation provided at no charge		$ 35,320	$ 87,792
Contribution from Innovation and Science for telephone provided at no charge		1,425	1,830
Prior Year Expenditure Refund		95	1,192
Other Revenue		75	-
Shared Services-Information and Privacy Commissioner		333	-
Total Revenue		37,248	90,814
Expenses			
Voted			
Salary, wages, and employee benefits		270,080	200,045
Supplies and services		82,869	99,872
	(Note 6) $ 372,000	352,949	299,917
Non-budgetary			
Accommodation and telephone costs		36,745	89,622
Capitalization of assets expensed as supplies		(2,897)	(34,554)
Amortization of capital assets		9,986	7,188
Shared Services-Information and Privacy Commissioner		333	-
		44,167	62,256
Valuation adjustments			
Provision for vacation pay		(12,703)	13,000
Total Expenses		384,413	375,173
Net operating results		$ (347,165)	$ (284,359)

The accompanying notes and schedule are part of these financial statements.

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 2003

	2003	2002
Operating transactions		
Net operating results	$ (347,165)	$ (284,359)
Add non-cash charges		
Amortization of capital assets	9,986	7,188
	(337,179)	(277,171)
Decrease (increase) in prepaid expenses	400	(1,017)
Decrease in accounts receivable	-	486
Increase (decrease) in accounts payable	4,633	(594)
(Decrease) increase in accrued vacation pay	(12,703)	13,000
Cash used by operating transactions	(344,849)	(265,296)
Investing transactions		
Acquisition of capital assets	(2,897)	(34,554)
Financing transactions		
Net transfer from general revenues	347,746	299,850
Net cash provided	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

The accompanying notes and schedule are part of these financial statements.

OFFICE OF THE ETHICS COMMISSIONER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

Note 1 Authority

The Office of the Ethics Commissioner (the "Office") is operated under the authority of the Conflicts of Interest Act. The net cost of the operations of the Office is borne by the General Revenue Fund of the Province of Alberta. Annual operating budgets are approved by the Select Standing Committee on Legislative Offices.

Note 2 Purpose

The Office of the Ethics Commissioner enhances public confidence in the integrity of Members of the Legislative Assembly and of the public service of Alberta by providing advice and guidance to Members and senior officials regarding their private interests in relation to their public responsibilities, by conducting investigations into allegations of conflicts of interest against Members, and by promoting the understanding by Members, senior officials and the public of the obligations regarding conflict of interest contained in legislation or directive.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian generally accepted accounting principles:

a) Reporting Entity

The reporting entity is the Office of the Ethics Commissioner, for which the Ethics Commissioner is responsible.

The Office operates within the General Revenue Fund (the "Fund"). The Fund is administrated by the Minister of Finance. All cash receipts of the Office are deposited into the Fund and all cash disbursements made by the Office are paid from the Fund. Net transfer from general revenues is the difference between all cash receipts and all cash disbursements made.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (continued)

b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting.

Expenses

Expenses represent the costs of resources consumed during the year on the Office's operations.

Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets and liabilities at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Assets

Amortization is calculated on a straight-line basis, over the estimated useful lives of the assets as follows:

Computer hardware and software	3 years
Furniture and other office equipment	10 years

The Office follows government budgetary practices which allow funds from an operating budget to be used to purchase capital assets costing less than $15,000. These purchases are included in expenses on the statement of operations, but are then removed from expenses through a non-budgetary adjustment and are capitalized and amortized over their useful lives.

Liabilities

Liabilities include all financial claims payable by the Office at fiscal year end.

Net Liabilities

Net liabilities represent the difference between the value of assets held by the Office and its liabilities.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (continued)

b) Basis of Financial Reporting (continued)

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts payable and accrued vacation pay are estimated to approximate their book values, due to the short-term nature of these items.

Note 4 Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	$ 26,427	$ 15,001	$ 11,426	$ 17,553
Furniture and other office equipment	17,278	3,379	13,899	14,861
	$ 43,705	$ 18,380	$ 25,325	$ 32,414

Note 5 Defined Benefit Plans

The Office participates in the multiemployer pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The expense for these pension plans is equivalent to the annual contributions of $9,307 for the year ending March 31, 2003 (2002 $8,290).

Note 5 Defined Benefit Plans (continued)

At December 31, 2002, the Management Employees Pension Plan reported a deficiency of $301,968,000 (2001-surplus $5,338,000) and the Public Service Pension Plan reported an actuarial deficiency of $175,528,000 (2001 – actuarial surplus $320,487,000).

The Office also participates in a multiemployer Long Term Disability Income Continuance Plan. At March 31, 2003, the Management, Opted Out and Excluded Plan reported an actuarial deficiency of $3,053,000 (2002-$2,656,000). The expense for this plan is limited to employer's annual contributions for the year.

Note 6 Budget

Expenses	
2002-2003 budget[(a)]	$ 372,000
2002-2003 actual expenses (excluding valuation adjustments)	352,949
2002-2003 surplus (excluding valuation adjustments)	$ 19,051

(a) Legislative Assembly Estimates released on March 19, 2002

Note 7 Lease Obligations

The office leases certain equipment under operating leases that expire on various dates to 2005. The aggregate amount payable for the unexpired terms of these leases are as follows:

2004	$ 2,700
2005	1,350
Total	$ 4,050

Note 8 Approval of Financial Statements

These financial statements were approved by the Ethics Commissioner.

Schedule 1

OFFICE OF THE ETHICS COMMISSIONER
SALARY AND BENEFITS DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2003

	2003			2002
	Salary [1]	Benefits and Allowances [2]	Total	Total
Senior official				
Ethics Commissioner	$ 126,613	$ 7,637	$ 134,250	$ 93,015

(1) Salary includes contract payments, bonus, vacation payout, and payment in lieu of employee participating in the Management Employee Pension Plan.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of the employee including Alberta Health Care, dental and extended medical coverage, group life insurance, long-term disability plan, WCB, professional memberships and conference fees. Automobile is provided but not included in benefits calculations.